

ANNEX A:
STATEMENT OF FACTS

For purposes of resolving a criminal investigation by the United States Department of Justice Fraud Section (“Fraud Section”) and the United States Attorney’s Office for the Northern District of California (“USAO NDCal”) into the knowing delivery of knowingly inaccurate reports concerning a commodities market by certain WPC employees (the “Investigation”), the following statement of facts is set forth:

1. Williams Power Company, Inc. (“WPC”) is a Delaware corporation headquartered in Tulsa, Oklahoma. It is a separately incorporated, wholly-owned subsidiary of The Williams Companies, Inc. (“Williams”). WPC traded and marketed natural gas and related products and services.

2. WPC divided its natural gas traders into groups, referred to as desks. Some of the desks corresponded with geographic regions of the United States: the East, Mid-Continent and West. WPC also established other trading desks, including Forward Trading desks, for trading natural gas futures, options contracts, and other instruments related to, among other things, the New York Mercantile Exchange, a primary forum for energy trading. The desks traded a variety of physical and financial instruments, including fixed-price physical natural gas, derivatives, swaps, index-based, over-the-counter, and physical contracts. Each desk was staffed by several traders.

3. Certain WPC natural gas traders entered data regarding trades they made into spreadsheets that in turn were delivered to trade publications. These trade publications generated market price indices for natural gas at various delivery points, or “hubs,” based in part on information received from industry participants. Natural gas traders used the published indices

to price and settle certain physical and over-the-counter financial derivative natural gas transactions.

4. *Inside FERC* (“*IFERC*”) Gas Market Report, a publication of Platts, a McGraw-Hill company, publishes market price indices for natural gas at various delivery points, or “hubs,” based in part on information received from industry participants. From at least June 1, 1998, through approximately October 31, 2002, certain WPC employees submitted data to *IFERC* regarding natural gas trades, while acting within the course and scope of their employment. *IFERC* editors exercised judgment and attempted to exclude numbers that diverged from the majority of trades at a given hub. WPC does not contest that misrepresenting either the prices or volumes reported to *IFERC* could alter the published *IFERC* index prices.

5. From on or about June 1, 1998, through on or about October 31, 2002, certain WPC employees submitted inaccurate reports to *IFERC* regarding trades of natural gas entered into by WPC during bid week, the last several business days of the month during which trades for gas flowing the following month were executed.

6. From approximately June 1, 1998, through approximately October 31, 2002, to benefit WPC’s gas trading positions, certain WPC employees submitted trade data to *IFERC* for WPC’s East and West desks which contained knowingly inaccurate data, including incorrect volume and/or prices, fictitious trades or incomplete reports of actual trades. Certain WPC employees, on limited occasions, also attempted to conceal the falsity of these submissions by providing misleading and inaccurate information to *IFERC* employees who contacted them to confirm reported trade information.

7. In approximately October 2002, when media reports exposed false reporting by traders at another energy company, WPC’s management discovered the above-described conduct

and reported this information to the Commodity Futures Trading Commission (“CFTC”). WPC has cooperated with the CFTC’s inquiry into possible inaccurate reporting by WPC, its current and former employees, and with the Investigation.

8. There are other matters known to the parties that are not included in this statement of facts.